




City of Loma Linda Official Report

Floyd Petersen, Mayor
Stan Brauer, Mayor pro tempore
Robert Christman, Councilmember
Robert Ziprick, Councilmember
Charles Umeda, Councilmember

COUNCIL AGENDA: November 15, 2005
TO: City Council
FROM: Dennis R. Halloway, City Manager 
SUBJECT: Proposed 2005 Tax Increment Bond Issue

RECOMMENDATION

It is recommended that the City Council, Redevelopment Agency Board of Directors, and the Loma Linda Public Financing Authority Board of Directors approve the necessary resolutions authorizing the issuance of \$25,355,000 of taxable and non-taxable bonds.

BACKGROUND

The tax increment has grown substantially due to the building activity this last year and the Agency has the ability to issue \$25,355,000 in bonds for a variety of projects throughout the community.

ANALYSIS

The proposed bonds are insured and AAA rated. Because of the requirements of the insurance it is necessary to change the documents and that is why this issue is once again before you. I have attached an analysis of the propose issue prepared by the city's Financial Advisor Alan Miller.

ENVIRONMENTAL

None

FINANCIAL IMPACT

\$25,355,000 of funds for projects.

A.M. Miller & Co., Inc.

Municipal Financing Consultants

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November 7, 2005

Mr. Dennis R. Halloway
Executive Director
Loma Linda Redevelopment Agency
25541 Barton Road
Loma Linda, CA 92354

Dear Mr. Halloway:

This is an analysis of the proposed Loma Linda Redevelopment Agency Subordinate Tax Allocation Bonds, Series 2005A and Series 2005B (Taxable). Both series are "new money" issues that will provide bond proceeds to fund redevelopment projects and activities in the redevelopment project. Both issues have qualified for municipal bond insurance, resulting in their being rated "AAA", the highest municipal bond rating. The bond insurer is XL Capital Assurance, Inc.

Tax Increment Revenues

The San Bernardino County Auditor-Controller reported the 2005/06 Project Area net assessed valuation to be \$572,479,404. Subtracting the Project Area adjusted base year valuation of \$101,430,279 results in incremental assessed valuation of \$471,049,125. Applying the one percent Proposition 13 property tax rate to this will generate an estimated \$4,710,000 in tax increment revenues in 2005/06. However, the Fiscal Consultant to the Agency, Rosenow Spevacek Group, Inc., projects tax increment revenues in 2005/06 to actually be \$5,402,045, or 1.147% of the incremental assessed valuation. This is due principally to Agency receipt of interest and penalties from delinquent tax payments.

Tax increment revenues are pledged to meet tax allocation bond debt service on both the outstanding 2003 Bonds and the proposed 2005 Bonds, fund low and moderate income housing activities pursuant to California redevelopment law, payments to other public entities pursuant to tax increment sharing agreements, and to the repayment of a subordinate City/Agency loan in connection with the City Hall lease revenue bonds. A summary of these payments is presented in attached Exhibit A. It should be noted that, including the debt service on the Agency's proposed Series 2005 Subordinate Tax Allocation Bonds, all 2005/06 tax increment revenues

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would be pledged for debt repayment, as defined and required by the redevelopment law for Agency retention of all tax increment revenues.

Proposed Bond Issues

Based on the Agency's need for both tax-exempt and taxable bond proceeds to fund redevelopment activities in the redevelopment project area, a tax-exempt bond issue of approximately \$15 million and a taxable bond issue of approximately \$10.36 million are proposed. These are the maximum amount of bonds that can be issued while complying with the tests of coverage of bond debt service by tax increment revenues as required by the insurers of the 2003 Bonds and 2005 Subordinate Bonds. The final amounts of each bond issue will depend on actual interest rates realized when the 2005 Bonds are sold, but any variance would be minimal.

Projected Bond Interest Rates

The bonds are scheduled for pricing (setting of interest rates) and sale on November 30, 2005. On the afternoon of November 29, the underwriter and financial advisor will present to the Agency Executive Director proposed interest rates on the bonds along with interest rate information for any comparable bond issues recently sold, along with the latest interest rate information from both the municipal and U. S. Treasury markets (the 10-year Treasury bond has a direct effect on municipal rates, especially for taxable bonds). Upon agreement among the aforementioned parties as to the proposed interest rates, the underwriter will market the bonds the following morning.

As of the date of this analysis, interest rates for the tax-exempt bonds (Series 2005A) are estimated to range from 2.85% for the 2006 maturity to 5.125% for the 2030 maturity, with an offering premium to the Agency of about \$250,000, resulting in a true interest cost projected at 4.93%.

AAA insured taxable municipal bonds usually sell at an interest rate around 1.00% higher than the 10-year Treasury bond. On November 4, the 10-year Treasury closed at 4.66%, its highest level in 2005 and 6/10% higher than on September 1. In view of rising interest rates, the average interest rate on the Series 2005B taxable bonds is currently projected at 5.72%.

Actual interest rates will be set at the time of bond sale. When the bonds are priced and sold, we will provide to the Agency a pricing report that will compare the Agency's bond sale to any comparable issues in the market at the same time along with bond market indices and general bond market conditions at the time of the Agency's bond sale.

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General Municipal Bond Market Conditions

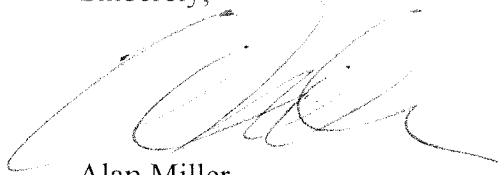
Municipal bond market interest rates, both tax-exempt and taxable, have been slowly rising in the past month. Enclosed is an article from The Bond Buyer discussing the reasons for this and also a graph showing the 10-year Treasury yield since January 2003. Most market analysts believe rates are headed higher in the next year. We believe that by selling its bonds now, the Agency can take advantage of what are still, in a long-term historical context, quite low interest rates, especially for the taxable bonds.

Summary

In view of bond market trends at this time, we believe that, given the Agency needs for bond funds to accomplish its capital financing needs in the Project Area, it would be advantageous to take advantage of current interest rates and sell its bonds at this time.

I hope this provides the information you need. Please let me know if you need further information or have questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Alan Miller', with a stylized, flowing script.

Alan Miller

amm/gps

Exhibit A

Total Project Assessed Valuation(1)	\$ 572,479,404
Less: Base Year Assessed Valuation(1)	<u>(101,430,279)</u>
Incremental Assessed Valuation(1)	\$ 471,049,125
Estimated Tax Revenues @ 1.147% (2)	\$ 5,402,045
Less: Housing Set-aside (2)	(1,080,409)
Pass through payments to other agencies(2)	<u>(373,562)</u>
ESTIMATED NET REVENUES AVAILABLE FOR DEBT SERVICE	\$ 3,948,074
Maximum Annual Debt Service on Outstanding 2003 Bonds and proposed Subordinate 2005 Bonds	\$ 2,616,388(3)

(1) Source: San Bernardino County Auditor-Controller, PI163 Report.

(2) Source: Fiscal Report dated November 3, 2005 by Rosenow Spevacek Group, Inc.

(3) Excess tax revenues of \$1,331,686, can be used to meet debt service payments on the City Hall lease revenue bonds pursuant to a subordinate loan agreement between the Agency and the City, ERAF payments and other Agency operating costs.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOMA LINDA, CALIFORNIA, APPROVING THE ISSUANCE BY THE LOMA LINDA REDEVELOPMENT AGENCY OF ITS SUBORDINATE 2005A TAX ALLOCATION BONDS (LOMA LINDA REDEVELOPMENT PROJECT) AND ITS SUBORDINATE 2005B TAXABLE TAX ALLOCATION BONDS (LOMA LINDA REDEVELOPMENT PROJECT) AND MAKING CERTAIN DETERMINATIONS RELATING THERETO

WHEREAS, the Loma Linda Redevelopment Agency (the "Agency") is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Agency was established pursuant to the California Community Redevelopment Law (the "Redevelopment Law"), codified in Part 1 of Division 24 of the California Health and Safety Code. The Agency was activated on February 27, 1979, by Ordinance No. 207 of the City Council of the City of Loma Linda (the "City"); and

WHEREAS, a Redevelopment Plan for a Redevelopment Project known as the "Loma Linda Redevelopment Project" has been adopted and approved by ordinances of the City enumerated below, and all requirements of law for and precedent to the adoption and approval of said Redevelopment Plan have been duly complied with; and

WHEREAS, the Project Area for the Loma Linda Redevelopment Project consists of three component areas resulting from a series of actions by the City Council of the City, and includes those redevelopment projects and project areas formerly known as the Loma Linda Redevelopment ("Project No. 1") and Loma Linda Redevelopment Project No. 2 ("Project No. 2") as follows: (i) that area included as the project area of Project No. 1 as approved by Ordinance No. 226 adopted by the City Council of the City on July 15, 1980 (the "Original Project Area"), (ii) that area added to the project area of the Project No. 1 by that amendment to Project No. 1 as approved by Ordinance No. 508 adopted by the City Council of the City on December 13, 1994 (the "Project No. 1 Amendment Added Area"), and (iii) that area designated as the project area for Project No. 2 as approved by Ordinance No. 374 adopted by the City Council of the City on May 12, 1987 (the "Project No. 2 Area), which three areas were subsequently merged under Ordinance No. 59 adopted by the City Council of the City on September 26, 2000 and together constitute the "Project Area"; and

WHEREAS, the Agency has adopted its resolution entitled:

A RESOLUTION OF THE LOMA LINDA REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION BONDS FOR THE LOMA LINDA REDEVELOPMENT PROJECT, AND APPROVING THE FORM OF INDENTURE OF TRUSTS, OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, CONTINUING DISCLOSURE CERTIFICATE AND RELATED DOCUMENTS AND AUTHORIZING CERTAIN OTHER ACTIONS

WHEREAS, under and pursuant to the above-referenced Resolution, the Agency has authorized the issuance of Loma Linda Redevelopment Agency, Subordinate 2005A Tax Allocation Bonds (Loma Linda Redevelopment Project) and Loma Linda Redevelopment Agency, Subordinate 2005B Taxable Tax Allocation Bonds (Loma Linda Redevelopment Project) (collectively, the "2005 Bonds") to provide additional moneys to finance the Agency's undertakings for the Redevelopment Project; and

WHEREAS, the City Council has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the City; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Loma Linda:

Section 1. Approval of Issuance of 2005 Bonds. The City Council hereby approves the issuance of the 2005 Bonds in order to further finance the Agency's undertakings for the Redevelopment Project and for other purposes related thereto, all of which constitute a "redevelopment activity", as such term is defined in Health and Safety Code Section 33678, pursuant to the terms of the Agency resolution referenced in the recitals hereof and the accompanying Indenture of Trust.

Section 2. Official Action. All actions heretofore taken by the officers and agents of the City with respect to the issuance of the 2005 Bonds are hereby approved, confirmed and ratified. The Mayor, the City Manager, City Clerk, the Treasurer, the City Attorney and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel is authorized, to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the purchase of the 2005 Bonds by the Loma Linda Public Financing Authority (the "Authority") from the Agency and the sale and delivery of the 2005 Bonds by the Authority to the Underwriter (or other purchaser identified in the Agency resolution) pursuant to the Bond Purchase Agreement referenced in the Agency resolution.

Section 3. Effective Date. This Resolution shall take effect upon adoption.

PASSED AND ADOPTED this 15th day of November 2005 by the following vote:

AYES:

NOES:

ABSENT:

Floyd Petersen, Mayor

ATTEST:

Pamela Byrnes-O'Camb, City Clerk

RESOLUTION NO. _____

**A RESOLUTION OF THE LOMA LINDA REDEVELOPMENT
AGENCY AUTHORIZING THE ISSUANCE AND SALE OF TAX
ALLOCATION BONDS FOR THE LOMA LINDA
REDEVELOPMENT PROJECT, AND APPROVING THE FORM
OF INDENTURE OF TRUSTS, OFFICIAL STATEMENT, BOND
PURCHASE AGREEMENT, CONTINUING DISCLOSURE
CERTIFICATE AND RELATED DOCUMENTS AND
AUTHORIZING CERTAIN OTHER ACTIONS**

WHEREAS, the Loma Linda Redevelopment Agency (herein referred to as the "Agency") is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California), (the "Law"), and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Agency was established pursuant to the California Community Redevelopment Law (the "Redevelopment Law"), codified in Part 1 of Division 24 of the California Health and Safety Code. The Agency was activated on February 27, 1979, by City Ordinance No. 207; and

WHEREAS, the Project Area consists of three component areas resulting from a series of actions by the City Council of the City, and includes those redevelopment projects and project areas formerly known as Loma Linda Redevelopment Project No. 1 ("Project No. 1") and Loma Linda Redevelopment Project No. 2 ("Project No. 2") as follows: (i) that area included as the project area of the Loma Linda Redevelopment Project as approved by Ordinance No. 226 adopted by the City Council of the City on July 15, 1980 (the "Original Project Area"), (ii) that area added to the project area of the Project No. 1 by that amendment to Project No. 1 as approved by Ordinance No. 508 adopted by the City Council of the City on December 13, 1994 (the "Project No. 1 Amendment Added Area"), and (iii) that area designated as the project area for Project No. 2 as approved by Ordinance No. 374 adopted by the City Council of the City on May 12, 1987 (the "Project No. 2 Area"); which three areas were subsequently merged under Ordinance No. 591 adopted by the City Council of the City on September 26, 2000 and together constitute the "Project Area"; and

WHEREAS, the Agency wishes to sell at this time tax allocation bonds for the purpose of providing additional moneys to finance the Agency's undertakings in furtherance of the Redevelopment Project for the Project Area; and

NOW, THEREFORE, BE IT RESOLVED by the Loma Linda Redevelopment Agency, as follows:

Section 1. The sale of the LOMA LINDA REDEVELOPMENT AGENCY, SUBORDINATE 2005A TAX ALLOCATION BONDS (LOMA LINDA REDEVELOPMENT PROJECT) (the "2005A Bonds"), the principal amount of which 2005A Bonds shall not exceed

Twenty Million Dollars (\$20,000,000) (or such lesser amount as may be specified in the Bond Purchase Agreement as approved by the Executive Director) and the LOMA LINDA REDEVELOPMENT AGENCY, SUBORDINATE 2005B TAXABLE TAX ALLOCATION BONDS (LOMA LINDA REDEVELOPMENT PROJECT) (the "2005B Bonds" and together with the 2005A Bonds, the "2005 Bonds"), the principal amount of which 2005B Bonds shall not exceed Eleven Million Dollars (\$11,000,000) (or such lesser amount as may be specified in the Bond Purchase Agreement as approved by the Executive Director) for the purpose of financing the Agency's undertakings for the Redevelopment Project and other purposes related thereto, in accordance with the Law, is hereby authorized.

Section 2. Pursuant to Section 6586.5 of the Government Code the Agency hereby finds the issuance of the Bonds by the Agency has a significant public benefit in the form of demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs and/or more efficient delivery of local agency services to residential and commercial development.

Section 3. The Preliminary Official Statement, in the form presented herewith is hereby approved. The Executive Director of the Agency is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement. The underwriter is hereby authorized to distribute copies of said Preliminary Official Statement to persons who may be interested in the initial purchase of the 2005 Bonds. The Chairman or Vice Chairman of the Agency or Executive Director is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement which, upon execution as authorized below, is made a part hereof as though set forth in full herein, with such changes, insertions and omissions as the officer or officers executing said document may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The underwriter is hereby directed to deliver copies of any final Official Statement to all actual initial purchasers of the 2005 Bonds.

Section 4. The Indenture of Trust between the Agency and U.S. Bank National Association, as trustee, relating to the 2005 Bonds is hereby approved in substantially the form presented, together with such changes thereto as may be approved by the Executive Director on the advice of bond counsel, the Executive Director's execution thereof to be conclusive evidence of such approval.

Section 5. The Bond Purchase Agreement (the "Purchase Agreement") by and among the Agency, the Loma Linda Public Financing Authority and Kinsell, Newcomb & DeDios, Inc., is hereby approved in substantially the form presented, together with such changes thereto as shall be approved by the Executive Director on the advice of bond counsel, the Executive Director's execution thereof to be conclusive evidence of such approval. In no event shall such Purchase Agreement provide for underwriter's discount (exclusive of original issue discount) in excess of: (i) 1.25% of the principal amount of the 2005A Bonds and (ii) 1% of the principal amount of the 2005B Bonds or for a true interest rate in excess of: (i) 7% per annum as to the 2005A Bonds and (ii) 8% per annum as to the 2005B Bonds.

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Section 6. The form of Continuing Disclosure Certificate is hereby approved in substantially the form presented, together with such changes thereto as may be approved by the Executive Director of the Agency upon the advice of bond counsel, the Executive Director's execution thereof to be conclusive evidence of such approval.

Section 7. All actions heretofore taken by the officers and agents of the Agency with respect to the issuance of the 2005 Bonds are hereby approved, confirmed and ratified. The Chairman, the Executive Director, the Secretary, the Treasurer, the General Counsel of the Agency and any and all other officers of the Agency are hereby authorized and directed, for and in the name and on behalf of the Agency, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel is authorized, to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the purchase of the 2005 Bonds from the Agency and the sale and delivery of the 2005 Bonds to the Underwriter pursuant to the Purchase Agreement approved herein.

Section 8. This Resolution shall take effect upon adoption.

PASSED, APPROVED AND ADOPTED this 15th day of November 2005 by the following vote:

AYES:

NOES:

ABSENT:

Robert Ziprick, Chairman of the Loma Linda
Redevelopment Agency

ATTEST:

Pamela Byrnes O'Camb, Secretary

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOMA
LINDA PUBLIC FINANCING AUTHORITY AUTHORIZING
PURCHASE AND SALE OF TAX ALLOCATION BONDS FOR
THE LOMA LINDA REDEVELOPMENT PROJECT AND
APPROVING CERTAIN RELATED DOCUMENTS AND
AUTHORIZING CERTAIN OTHER ACTIONS

WHEREAS, the City of Loma Linda (the "City") and the Loma Linda Redevelopment Agency (the "Agency") have entered into a Joint Exercise of Powers Agreement (the "Agreement"), creating the Loma Linda Public Financing Authority (the "Authority"); and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Law") and the Agreement, the Authority is authorized to purchase bonds issued by the Agency for financing and refinancing public improvements, including those related to redevelopment activities of the Agency authorized in an Agency project area; and

WHEREAS, pursuant to the Law and the Agreement, the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale; and

WHEREAS, the Authority desires to purchase from the Agency the Loma Linda Redevelopment Agency, Subordinate 2005A Tax Allocation Bonds (Loma Linda Redevelopment Project) and the Loma Linda Redevelopment Agency, Subordinate 2005B Taxable Tax Allocation Bonds (Loma Linda Redevelopment Project) (collectively, the "2005 Bonds"), solely from the proceeds received from the Authority's concurrent sale of the 2005 Bonds to Kinsell, Newcomb & DeDios, Inc. (the "Underwriter"); and

WHEREAS, the proceeds of the 2005 Bonds will be used, in part, to finance redevelopment activities of the Agency relating to the Loma Linda Redevelopment Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Loma Linda Public Financing Authority, as follows:

Section 1. The foregoing recitals are true and correct and this Authority so finds and determines.

Section 2. The Bond Purchase Agreement (the "Purchase Agreement") by and among the Agency, the Authority, and the Underwriter is hereby approved in substantially the form presented, together with such changes thereto as may be approved by the Executive Director on the advice of bond counsel, the Executive Director's execution thereof to be conclusive evidence of such approval. In no event shall such Purchase Agreement provide for underwriter's discount (exclusive of original issue discount) in excess of: (i) 1.25% of the principal amount of the 2005A Bonds and (ii) 1% of the principal amount of the 2005B Bonds or for a true interest cost in excess of: (i) 7% per annum as to the 2005A Bonds and (ii) 8% per annum as to the 2005B Bonds.

Section 3. All actions heretofore taken by the officers and agents of the Authority with respect to the issuance of the 2005 Bonds are hereby approved, confirmed and ratified. The

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Chairman, the Executive Director, Secretary, the Treasurer, the General Counsel of the Authority and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel is authorized, to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the purchase of the 2005 Bonds from the Agency and the sale and delivery of the 2005 Bonds to the Underwriter pursuant to the Purchase Agreement approved herein.

Section 4. This resolution shall take effect from and after its adoption.

PASSED, APPROVED AND ADOPTED this 15th day of November 2005 by the following vote:

AYES:

NOES:

ABSENT:

Floyd Petersen, Chairman

ATTEST:

Pamela Byrnes-O'Camb, Secretary